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TI's 2004 Corruption Perceptions Index

Corruption is rampant in 60 countries, and the public sector is plagued by bribery, says TI

London, 20 October 2004 --- "Corruption in large-scale public projects is a daunting obstacle to sustainable development, and results in a major loss of public funds needed for education, healthcare and poverty alleviation, both in developed and developing countries," said Transparency International (TI) Chairman Peter Eigen today at the launch of the TI Corruption Perceptions Index 2004.

"If we hope to reach the Millennium Development Goal of halving the number of people living in extreme poverty by 2015, governments need to seriously tackle corruption in public contracting," said Eigen. TI estimates that the amount lost due to bribery in government procurement is at least US\$ 400 billion per year worldwide.

A total of 106 out of 146 countries score less than 5 against a clean score of 10, according to the new index, published today by Transparency International, the leading non-governmental organisation fighting corruption worldwide. Sixty countries score less than 3 out of 10, indicating rampant corruption. Corruption is perceived to be most acute in Bangladesh, Haiti, Nigeria, Chad, Myanmar, Azerbaijan and Paraguay, all of which have a score of less than 2.

"Corruption robs countries of their potential," said Eigen. "As the Corruption Perceptions Index 2004 shows, oil-rich Angola, Azerbaijan, Chad, Ecuador, Indonesia, Iran, Iraq, Kazakhstan, Libya, Nigeria, Russia, Sudan, Venezuela and Yemen all have extremely low scores. In these countries, public contracting in the oil sector is plagued by revenues vanishing into the pockets of western oil executives, middlemen and local officials."

TI urges western governments to oblige their oil companies to publish what they pay in fees, royalties and other payments to host governments and state oil companies. "Access to this vital information will minimise opportunities for hiding the payment of kickbacks to secure oil tenders, a practice that has blighted the oil industry in transition and

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post-war economies," said Eigen.

"The future of Iraq depends on transparency in the oil sector," added Eigen. "The urgent need to fund postwar construction heightens the importance of stringent transparency requirements in all procurement contracts," he continued. "Without strict anti-bribery measures, the reconstruction of Iraq will be wrecked by a wasteful diversion of resources to corrupt elites."

According to TI Vice Chair Rosa Inés Ospina Robledo, "across the globe, international donors and national governments must do more to ensure transparency in public procurement by introducing no-bribery clauses into all major projects." Speaking in Bogota, Colombia, today, she said: "Tough sanctions are needed against companies caught bribing, including forfeit of the contract and blacklisting from future bidding."

Tenders should include objective award criteria and public disclosure of the entire process, argues TI. Exceptions to open competitive bidding must be kept to a minimum, and explained and recorded, since limited bidding and direct contracting are particularly prone to manipulation and corruption. Public contracting must be monitored by independent oversight agencies and civil society.

"Companies from OECD countries must fulfil their obligations under the OECD Anti-Bribery Convention and stop paying bribes at home and abroad," said Rosa Inés Ospina Robledo. "With the spread of anti-bribery legislation, corporate governance and anti-corruption compliance codes, managers have no excuse for paying bribes."

**Transparency International has gone electronic!
TI's quarterly newsletter, TI-Q, is now available
at: www.transparency.org**

The Corruption Perceptions Index is a poll of polls, reflecting the perceptions of business people and country analysts, both resident and non-resident. This year's Corruption Perceptions Index draws on 18 surveys provided to Transparency International between 2002 and 2004, conducted by 12 independent institutions.

Countries with a score of higher than 9, with very low levels of perceived corruption, are predominantly rich countries, namely Finland, New Zealand, Denmark, Iceland, Singapore, Sweden and Switzerland. "But the poorest countries, most of which are in the bottom half of the index, are in greatest need of support in fighting corruption," said Eigen.

On the basis of data from sources that were used for both the 2003 and 2004 index, since last year an increase in perceived corruption can be observed for Bahrain, Belize, Cyprus, Dominican Republic, Jamaica, Kuwait, Luxembourg, Mauritius, Oman, Poland, Saudi Arabia, Senegal, and Trinidad and Tobago.

On the same basis, a fall in corruption was perceived in Austria, Botswana, Czech Republic, El Salvador, France, Gambia, Germany, Jordan, Switzerland, Tanzania, Thailand, Uganda, United Arab Emirates and Uruguay.

The index includes only those countries that feature in at least three surveys. As a result, many countries – including some which could be among the most corrupt – are missing because there simply is not enough survey data available.

The statistical work on the index was coordinated by Professor Johann Graf Lambsdorff at Passau University in Germany, advised by a group of international specialists.

--Full details of Transparency International's Corruption Perceptions Index 2004 are available at:

www.transparency.org/surveys/#cpi

What does the 2004 CPI mean for Canada?

John Saunders entitles his October 21, 2004, article in *The Globe and Mail* "Canada makes worse showing on ethics index." While it is true that Canada dropped one position and .2 ranking points from 2003, at least it was not a noteworthy example of a worsening trend, as it was last year! And while Canada remains in a small number of countries that jockey for the top positions, year-to-year, with rankings 8.0 or higher, as Saunders notes, once in fifth place, at a rank of 9.2, Canada has continued to drop, over the past few years to its present position of 12th, at a rank of 8.5.

According to TI's Frequently Asked Questions, since the CPI is an average of perceptions over the past three years, it is difficult to attribute one particular incident or scandal to Canada's drop. However, the ongoing federal

sponsorship scandal, Toronto's computer leasing probe, immigration faux pas, for example, all contribute to a changing perception of the degree to which corruption is perceived to exist among Canadian public officials and politicians. In addition, since the CPI provides only an annual snapshot of the views of businesspeople and country analysts and every year has included a different number of countries and respondents and slightly differing methodologies, it is difficult to compare the CPI 2004 with past CPIs.

Nonetheless, while Canada is considered a relatively clean country, corruption does exist among Canadian public officials and politicians (the Bribe Payers' Index, the "mirror" of CPI, notes the level of perceived corruption among Canadian business people), and there is much to be done to turn the reality and perception around.

--for John Saunders' article, see *The Globe & Mail*, Thursday, October 21, 2004, p. B7

First International Anti-Corruption Day – Dec. 9

At the December 9, 2003, signing ceremony for the UN Convention against Corruption, December 9 was designated by the UN as International Anti-Corruption Day. One of the ways the first anniversary of this day will be celebrated is with the launch of the second TI Global Corruption Barometer, in Paris. Unlike the CPI, which aims at assessing levels of corruption across countries as viewed by businesspeople and analysts around the world, the Global Corruption Barometer (GCB) is a public opinion survey of perceptions, experiences and expectations towards corruption. More than 50,000 people in 64 countries were interviewed for the second GCB. The GCB includes five questions carried out for TI by Gallup International, as part of their Voice of the People survey, on views of and experience with corruption. By producing the GCB, every year, TI is aiming to measure trends in public views on corruption, allowing us to build up knowledge of change over time.

Watch out for the second Global Corruption Barometer due out on International Anti-Corruption Day! Take advantage of various activities on this day to educate yourself, your colleagues and your friends on advances in the battle against corruption. Visit www.transparency.org for further details.

2004 TI Integrity Awards

Dr Milica Bisic from Bosnia and Herzegovina, who took on entrenched interests to stamp out tax evasion in Republika Srpska, Bosnia and Herzegovina, is one of the winners of the Transparency International Integrity Awards 2004. The other winners are whistleblowers who



**Transparency International Corruption
Perceptions Index 2004**

Country Rank	Country	CPI 2004 Score*	Confidence Range **	Surveys used***
1	Finland	9.7	9.5 - 9.8	9
2	New Zealand	9.6	9.4 - 9.6	9
3	Denmark	9.5	9.3 - 9.7	10
	Iceland	9.5	9.4 - 9.7	8
5	Singapore	9.3	9.2 - 9.4	13
6	Sweden	9.2	9.1 - 9.3	11
7	Switzerland	9.1	8.9 - 9.2	10
8	Norway	8.9	8.6 - 9.1	9
9	Australia	8.8	8.4 - 9.1	15
10	Netherlands	8.7	8.5 - 8.9	10
11	United Kingdom	8.6	8.4 - 8.8	12
12	Canada	8.5	8.1 - 8.9	12
13	Austria	8.4	8.1 - 8.8	10
	Luxembourg	8.4	8.0 - 8.9	7
15	Germany	8.2	8.0 - 8.5	11
16	Hong Kong	8.0	7.1 - 8.5	13
17	Belgium	7.5	7.1 - 8.0	10
	Ireland	7.5	7.2 - 7.9	10
	USA	7.5	6.9 - 8.0	14
20	Chile	7.4	7.0 - 7.8	11
21	Barbados	7.3	6.6 - 7.6	3
22	France	7.1	6.6 - 7.6	12
	Spain	7.1	6.7 - 7.4	11
24	Japan	6.9	6.2 - 7.4	15
25	Malta	6.8	5.3 - 8.2	4
26	Israel	6.4	5.6 - 7.1	10
27	Portugal	6.3	5.8 - 6.8	9
28	Uruguay	6.2	5.9 - 6.7	6
29	Oman	6.1	5.1 - 6.8	5
	United Arab Emirates	6.1	5.1 - 7.1	5
31	Botswana	6.0	5.3 - 6.8	7
	Estonia	6.0	5.6 - 6.7	12
	Slovenia	6.0	5.6 - 6.6	12
34	Bahrain	5.8	5.5 - 6.2	5
35	Taiwan	5.6	5.2 - 6.1	15
36	Cyprus	5.4	5.0 - 5.8	4
37	Jordan	5.3	4.6 - 5.9	9
38	Qatar	5.2	4.6 - 5.6	4
39	Malaysia	5.0	4.5 - 5.6	15
	Tunisia	5.0	4.5 - 5.6	7
41	Costa Rica	4.9	4.2 - 5.8	8
42	Hungary	4.8	4.6 - 5.0	12
	Italy	4.8	4.4 - 5.1	10
44	Kuwait	4.6	3.8 - 5.3	5
	Lithuania	4.6	4.0 - 5.4	9
	South Africa	4.6	4.2 - 5.0	11
47	South Korea	4.5	4.0 - 4.9	14
48	Seychelles	4.4	3.7 - 5.0	3
49	Greece	4.3	4.0 - 4.8	9
	Suriname	4.3	2.1 - 5.8	3
51	Czech Republic	4.2	3.7 - 4.9	11
	El Salvador	4.2	3.3 - 5.1	7
	Trinidad and Tobago	4.2	3.6 - 5.2	6
54	Bulgaria	4.1	3.7 - 4.6	10
	Mauritius	4.1	3.2 - 4.8	5
	Namibia	4.1	3.5 - 4.6	7
57	Latvia	4.0	3.8 - 4.3	8
	Slovakia	4.0	3.6 - 4.5	11
59	Brazil	3.9	3.7 - 4.1	11
60	Belize	3.8	3.4 - 4.1	3
	Colombia	3.8	3.4 - 4.1	10

62	Cuba	3.7	2.2 - 4.7	4
	Panama	3.7	3.4 - 4.2	7
64	Ghana	3.6	3.1 - 4.1	7
	Mexico	3.6	3.3 - 3.8	11
	Thailand	3.6	3.3 - 3.9	14
67	Croatia	3.5	3.3 - 3.8	9
	Peru	3.5	3.3 - 3.7	8
	Poland	3.5	3.1 - 3.9	13
	Sri Lanka	3.5	3.1 - 3.9	8
71	China	3.4	3.0 - 3.8	16
	Saudi Arabia	3.4	2.7 - 4.0	5
	Syria	3.4	2.8 - 4.1	5

Explanatory Notes:

***CPI Score** relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt).

** **Confidence range** provides a range of possible values of the CPI score. This reflects how a country's score may vary, depending on measurement precision. Nominally, with 5 percent probability the score is above this range and with another 5 percent it is below. However, particularly when only few sources (n) are available an unbiased estimate of the mean coverage probability is lower than the nominal value of 90%.

*****Surveys used** refers to the number of surveys that assessed a country's performance. 18 surveys and expert assessments were used and at least 3 were required for a country to be included in the CPI.



Transparency International Corruption Perceptions Index 2004

Country Rank	Country	CPI 2004 Score**	Confidence Range**	Surveys used***
74	Belarus	3.3	1.9 - 4.8	5
	Gabon	3.3	2.1 - 3.7	3
	Jamaica	3.3	2.8 - 3.7	6
77	Benin	3.2	2.0 - 4.3	3
	Egypt	3.2	2.7 - 3.8	8
	Mali	3.2	2.2 - 4.2	5
	Morocco	3.2	2.9 - 3.5	7
	Turkey	3.2	2.8 - 3.7	13
82	Armenia	3.1	2.4 - 3.7	5
	Bosnia and Herzegovina	3.1	2.7 - 3.5	7
	Madagascar	3.1	1.8 - 4.4	4
85	Mongolia	3.0	2.6 - 3.2	3
	Senegal	3.0	2.5 - 3.5	6
87	Dominican Republic	2.9	2.4 - 3.3	6
	Iran	2.9	2.2 - 3.4	5
	Romania	2.9	2.5 - 3.4	12
90	Gambia	2.8	2.2 - 3.4	5
	India	2.8	2.6 - 3.0	15
	Malawi	2.8	2.2 - 3.7	5
	Mozambique	2.8	2.4 - 3.1	7
	Nepal	2.8	1.6 - 3.4	3
	Russia	2.8	2.5 - 3.1	15
	Tanzania	2.8	2.4 - 3.2	7
97	Algeria	2.7	2.3 - 3.0	6
	Lebanon	2.7	2.1 - 3.2	5
	Macedonia (FYR)	2.7	2.3 - 3.2	7
	Nicaragua	2.7	2.5 - 3.0	7
	Serbia and Montenegro	2.7	2.3 - 3.0	7
102	Eritrea	2.6	1.6 - 3.4	3
	Papua New Guinea	2.6	1.9 - 3.4	4
	Philippines	2.6	2.4 - 2.9	14
	Uganda	2.6	2.1 - 3.1	7
	Vietnam	2.6	2.3 - 2.9	11
	Zambia	2.6	2.3 - 2.9	6
108	Albania	2.5	2.0 - 3.0	4
	Argentina	2.5	2.2 - 2.8	11
	Libya	2.5	1.9 - 3.0	4
	Palestinian Authority	2.5	2.0 - 2.7	3
112	Ecuador	2.4	2.3 - 2.5	7
	Yemen	2.4	1.9 - 2.9	5
114	Congo, Republic of	2.3	2.0 - 2.7	4
	Ethiopia	2.3	1.9 - 2.9	6
	Honduras	2.3	2.0 - 2.6	7
	Moldova	2.3	2.0 - 2.8	5
	Sierra Leone	2.3	2.0 - 2.7	3
	Uzbekistan	2.3	2.1 - 2.4	6
	Venezuela	2.3	2.2 - 2.5	11
	Zimbabwe	2.3	1.9 - 2.7	7
122	Bolivia	2.2	2.1 - 2.3	6
	Guatemala	2.2	2.0 - 2.4	7
	Kazakhstan	2.2	1.8 - 2.7	7
	Kyrgyzstan	2.2	2.0 - 2.5	5
	Niger	2.2	2.0 - 2.5	3
	Sudan	2.2	2.0 - 2.3	5
	Ukraine	2.2	2.0 - 2.4	10
129	Cameroon	2.1	1.9 - 2.3	5
	Iraq	2.1	1.3 - 2.8	4
	Kenya	2.1	1.9 - 2.4	7
	Pakistan	2.1	1.6 - 2.6	7
133	Angola	2.0	1.7 - 2.1	5
	Congo, Democratic Republic	2.0	1.5 - 2.2	3

	Côte d'Ivoire	2.0	1.7 - 2.2	5
	Georgia	2.0	1.6 - 2.3	7
	Indonesia	2.0	1.7 - 2.2	14
	Tajikistan	2.0	1.7 - 2.4	4
	Turkmenistan	2.0	1.6 - 2.3	3
140	Azerbaijan	1.9	1.8 - 2.0	7
	Paraguay	1.9	1.7 - 2.2	7
142	Chad	1.7	1.1 - 2.3	4
	Myanmar	1.7	1.5 - 2.0	4
144	Nigeria	1.6	1.4 - 1.8	9
145	Bangladesh	1.5	1.1 - 1.9	8
	Haiti	1.5	1.2 - 1.9	5

brought to light the Goldenberg scandal in Kenya. David Munyakei, a clerk at the Central Bank of Kenya, provided Members of Parliament with documents revealing illegal transactions with Goldenberg International. Constable Naftali Lagat refused to obey Kenya's Director of Criminal Investigations' demand that he release to a director of Goldenberg International a consignment of smuggled gold he had intercepted at Kenya's Wilson Airport.

The TI Integrity Awards, an annual event open to nominations worldwide, recognises the courage of extraordinary individuals and organisations who have made a significant impact on reducing levels of corruption....

The fifth annual TI Integrity Awards [were] presented at the opening ceremony of TI's annual membership meeting in Nairobi, Kenya, on 8 October. In recognition of those whose bravery cost them their lives, TI [also extended] posthumous tributes to three courageous individuals: ...Hasan Balıkcı, a Turkish electrical engineer murdered as a result of his efforts to root out corruption in the state electricity company; Satyendra Kumar Dubey, an Indian whistleblower who lost his life after making a complaint about corruption in the road-building project he was overseeing; ...[and] Manik Chandra Saha, a brave Bangladeshi journalist whose frequent reports on crime and corruption in politics led to his death.

Speaking in Nairobi..., TI Chairman Peter Eigen praised the determination and courage of the winners: "The African Union has estimated that corruption costs Africa alone in excess of \$148 billion every year. This is not money that goes to build schools and hospitals but goes to make the corrupt richer, and robs the poor of essential services." Eigen continued: "Corruption hurts everyone, and therefore it is through the actions of courageous and determined individuals who share a passion for justice that the fight against corruption continues. This year's winners are a source of inspiration to all of us as they have gone above and beyond their sense of duty to ensure that the corrupt have no one to bribe and nowhere to hide."

Dr Milica Bisić... is Professor of Economics at the University of Belgrade and former Head of the Tax Administration in Republika Srpska. After years of a devastating war, the tax administration was among those institutions where corruption was the most rampant in Republika Srpska. Dr Bisić fearlessly took on corruption in this system, clamping down on those benefiting from a shadow economy by refusing to pay their share of taxes. For the first time, the process of forcible collection of

taxes was applied to large businesses. Many have since been charged with tax evasion and have closed down....

Constable Naftali Lagat and David Munyakei from Kenya helped to expose the Goldenberg scandal, one of the largest and most complex financial scandals in Kenyan history. Munyakei, then a clerk at the Central Bank of Kenya (CBK), noticed that a company called Goldenberg International was receiving unusually large sums of money for the alleged export of gold and diamonds. He blew the whistle on the Goldenberg scandal by providing CBK documents to opposition members of parliament. These documents revealed illegal transactions between the Central Bank and Goldenberg International. The courage to disclose these corrupt practices resulted in Munyakei's arrest, sacking, and possibly the loss of his only parent.

Constable Lagat was one of the police officers on duty at the airport one night in 1991 when a director of Goldenberg International arrived, carrying a suitcase full of gold. Constable Lagat bravely refused orders from senior officials whom he suspected of trying to cover up illegal actions. Even after he was forced to appear before the Criminal Investigations Department the Constable did not budge, refusing to give into corrupt officials as he felt that he would be breaking the rules.

"The Goldenberg scandal made Kenya a poorer country, financially, structurally and morally," according to TI Kenya's Executive Director, Gladwell Otieno. She said: "Acts of corruption like this one owe their exposure to the courage and integrity of only a few individuals such as Lagat and Munyakei. The TI Integrity Awards recognise that - perhaps even more important than laws administered from the top - ultimately it is individuals adhering to their principles and fighting against corruption that will turn the tide in Kenya."

--for the full press release, visit:

www.transparency.org/integrityawards//index.html

TI-Canada speaks to Kroll

TI-Canada Board Member, John Swinden, was the dinner speaker at the recent annual conference of Kroll. Kroll performs forensic investigations, as well as other investigation and analytical services, where accounting, valuation and insurance claim skills are required. In their professional work, Kroll encounters corruption in both the private and public sectors, hence the interest in the mission and activities of TI-Canada, of which the Canadian arm, Kroll Lindquist Avey, is a member.

Need to learn more about anti-corruption laws in Canada? TI-Canada will be happy to provide this information to your industry group. Contact us at: 416-488-3939; ti-can@transparency.org

